

FINANCE COMMITTEE

Minutes of Meeting

April 12, 2005

Members Present: Members Absent:

William Penn, Chairman

Jon Schock

Tim Brown

Staff Present: Guests

Brian Riggs

Kathleen Crawley

1. CALL TO ORDER

With a quorum present, Chairman Penn called the meeting to order at 11:03 a.m. Mr. Penn added two items to the agenda under items for discussion. They were item B) Payment approval process and C) Rhode Island Rivers Council.

2. APPROVAL OF MINUTES

A. A motion was made by Mr. Penn to open up comments on the March 8, 2005 minutes. On a motion by Mr. Brown and seconded by Mr. Schock, the vote was unanimous to accept the March 2005

minutes as presented.

3. REPORTS

A. Chief Business Officer's (CBO) Report—Water Resources Board

Mr. Riggs, Chief Business Officer, noted the report is fiscal year to date through March 31, 2005. The FY 2005 appropriation is \$2,728,478, the expenditures are \$1,602,637 and encumbrances are \$749,264 with an unencumbered balance of \$376,578. The current year's March surcharge receipts were \$106,680 more than March 2004. The YTD receipts collected by the Water Resources Board show a negative variance of \$260,798 versus previous YTD collections. This amount is comprised of a negative variance of \$290,928 over previous years YTD surcharges and a positive YTD variance of \$30,130 for Big River rental income. Mr. Penn questioned the \$20,789 spent out of the \$504,455 budgeted in the Capital Improvement Fund. Mr. Riggs stated that this amount included \$400,000 in Supplemental Water Phase II that will not be spent in FY 2005 with the remainder being the BRMA maintenance that is almost completely encumbered. Mr. Penn stated that the Restricted Receipt funds are currently overspent. Mr. Riggs stated that this was true but he explained that this does not include the carry forward amount and that it is compared to the YTD budget amount. Mr. Penn questioned if the surcharge rate was the same amount last year as it is presently. Mr. Riggs stated that this was true. Mr. Penn questioned why surcharge collections this year are less than last year. Mr. Riggs stated that this had been discussed and that Mr. Schock thought that everyone was pumping less water

due to a “wet” summer. He stated that he agreed with the “wet” summer theory but that he could not explain why it would be the case during the winter. Mr. Schock questioned if two months of payments were lumped together for the month of March for Providence Water. Mr. Riggs stated that he did not believe that this was the case as the monthly payment is wired the 20th of every month for the previous month. Mr. Penn questioned if the surcharge money collected would reach the budgeted amount. Mr. Riggs stated that he did not believe so. On a motion by Mr. Schock and seconded by Mr. Brown, the vote was unanimous to approve the March CBO report.

B. Chief Financial Officer’s (CFO) Report—Water Resources Board Corporate

Mr. Riggs stated that the CFO Report reflects the activity on a cash basis for the month of March. Two payments were made during March in the amount of \$208.40 to Konica Minolta and \$600.00 to AMTEC. The interest received during the month of March was \$44.77. The Water Quality Protection Fund ended the month with a balance of \$112,159.66. Mr. Riggs reported that the Providence Project received interest of \$7.63 on investments in March. The balance in the Providence Project fund at the end of the March was \$705,271.13. Mr. Riggs stated that the Public Drinking Water Quality Protection Fund Administrative Accounts reflect interest received in March was \$26,642.87 from money market investments and interest payments. The Administrative Accounts month-end balance was \$1,940,274.56. Mr. Riggs stated that the Corporate Public Drinking Water Quality

Protection Fund received interest in the amount of \$7,781.13 and ended the month with a balance of \$4,917,500.68. Mr. Penn questioned when the Public Drinking Water Protection Bonds must be spent by. Ms. Crawley stated that the timeframe was that it must be spent by January 2006. Mr. Penn asked if there were any commitments for the remaining funds. Ms. Carwley stated that Woonsocket has a big land project they are working on. Ms. Crawley also stated that she believes North Kingstown, Stone Bridge and Pawtucket should come in by June 2005. Mr. Schock stated that Newport and Bristol County also have large amounts to spend. Mr. Schock moved to approve the March CFO report and his motion was seconded by Mr. Brown. The vote was unanimous.

4. ITEMS FOR ACTION

A. Payment Requests

(1) Maguire Group Invoice # 8— Payment Requested: \$17,297.00; Recommended payment: \$17,297.00. Request for Approval (Enclosure 3 of Board)

Mr. Penn questioned if there was any information that the Board needed to know about this project. Ms. Crawley stated that they had received a progress report and are pleased with the pace at which the project is moving. Mr. Penn questioned if the invoices were reviewed against the contract. Ms. Crawley stated that Tom Walker had

reviewed them. On a motion by Mr. Schock and seconded by Mr. Brown, the vote was unanimous to approve the payment of \$17,297.00 as requested.

(2) Konica Office Products for copier service agreement rendered through March 31, 2005 - Requested Payment: \$208.40; Recommended Payment: \$208.40. (Enclosure 3 of Finance)

Mr. Schock, after reading the by-laws, questioned if a payment that was under \$1,000.00 had to be approved by the Board. Ms. Crawley stated that the passage he was referring to was for the Board not the Board Corporate. Any amount must be approved for the Board Corporate to verify if the money can be used for the expense indicated. On a motion by Mr. Brown and seconded by Mr. Schock, the vote was unanimous to approve the payment of \$208.40 as requested.

(3) Kathleen Crawley Travel Voucher for March 2005 - Requested Payment: \$59.13; Recommended Payment: \$59.13. (Enclosure 4 of Finance)

On a motion by Mr. Schock and seconded by Mr. Brown, the vote was unanimous to approve the payment as requested.

5. ITEMS FOR DISCUSSION

(A) Award of the Board Corporate Auditor FY 2006 – FY 2008

Mr. Penn questioned if there was an RFP out. Mr. Riggs stated that there was an RFP out and we received three proposals. Of the three, the lowest one was selected. The lowest bid was Casale, Caliri and Jaroma. The Director of Administration and the Auditor General have accepted the award. The bids ranged from \$20,450 to \$50,400. Mr. Penn questioned if Board approval was required. Ms. Crawley stated that it probably should have been on the Board's agenda for approval. Mr. Penn stated that this item should be added to next month's agenda for the Board.

(B) Payment Approval Process

Mr. Penn stated that this discussion involved using the committee structure to approve payments. He stated that Ms. Crawley had done some research and there is no prohibition of this in the by-laws. He also stated that the by-laws would have to be changed to reflect the ability to approve payments at the committee level. Ms. Crawley stated that section three of the rules and procedures of the Board contains the committee structure and this would be the section that would be amended. She also stated that the committees could approve day-to-day invoices as long as the Board approves the initial contract and the final payment. Mr. Brown stated that one of the changes that were presented is too specific. He asked that the Konica copy machine be changed to just office machines to remain

more general. Mr. Schock clarified that in addition to any final payments the final report must be approved by the Board acting upon a recommendation of the Finance Committee. Mr. Schock asked for a qualification that should state the approval would be exclusive of final reports and final invoices. Ms. Crawley stated that any language changes made would be reflected in the other committees as well. Mr. Schock requested that it reflect the statement that the Board would approve any change order or contract amendments. Mr. Penn concurred with Mr. Schock. Mr. Schock expressed his concern with contracts that contain contingencies.

(C) Rhode Island Rivers Council

Mr. Penn stated that legislation that was passed makes the Rivers Council an associated function of the Water Resources Board. He stated that it remains unclear how much responsibility the WRB has over the Rivers Council after reading the opinion letter of Armando Monaco. Ms. Crawley made note of the program budget that shows \$79,348 as expenditures of the Board for the Rivers Council for FY 2007. This amount is comprised of a \$52,500 legislative grant with the balance being WRB personnel expenditures for Rivers Council business. Mr. Schock questioned if the legislative grant would continue. Ms. Crawley stated that she could not be certain of this but that the Legislature seems to be very supportive of this endeavor. She also stated that this is used to fund the watershed groups. Mr.

Penn stated that one of the issues is: How does the Board maintain prudent financial oversight of the operation? Mr. Penn stated that the idea that a board also governs them complicates that matter further. Mr. Schock questioned the make up of their Board. Ms. Crawley supplied him with a copy of the legislation. The second issue Mr. Penn raised was the fact that The Rhode Island Foundation currently funds the Rivers Council and the continuation of this funding is very slim. Mr. Penn stated that he had spoken with Ms. Crawley about the ability to fund the administrative expenses of the Rivers Council with Watershed Protection funds. Ms. Crawley stated that she has referred the matter to Norm Beniot and has not yet received a response. Mr. Penn also questioned our responsibilities as a board over the River Council as an associated function of the WRB. Ms. Crawley stated that Ms. Kerr is attempting to gain long term funding through the Board's operating budget as well as having the Board Corporate handle the grant funds that they receive. Mr. Schock questioned if the only current oversight of Ms. Kerr is her board. Ms. Crawley stated that this was the case. Mr. Brown questioned where she was currently housed. Ms. Crawley stated that she worked out of her house. She also stated that if she were housed with the WRB it would blur the lines of her possibly being considered a State employee. Mr. Brown asked if it was in the contract to be a contract employee. Ms. Crawley stated that she did not believe so and added that Ms. Kerr would probably like to be considered a State employee. Mr. Brown stated that there could be possible ethics issues, as the Rivers Council board would vote on Ms. Kerr's employment while she

acts as the chair of the board. Ms. Crawley stated that the Department of Administration would handle the legislative grant for FY 2005 but that the WRB is responsible for the grant beginning July 1, 2005. Mr. Brown suggested that the Attorney General's office be contacted for an opinion. Mr. Brown questioned if they could hire staff. Ms. Crawley stated that the only information that she has seen regarding staff would be the Department of Administration, Water Resources Board and RIEDC providing support staff. Ms. Crawley stated that the grants are currently subjected to a 7% surcharge and Ms. Kerr would like to have the Board Corporate handle them to avoid the surcharge. Mr. Penn stated that the Board Corporate would not be able to do this as they do not have the correct status of a 501-C-3. Mr. Penn once again stated that he wanted an opinion from the Attorney General's office. Mr. Brown concurred. Mr. Penn suggested that Ken Payne be contacted for his background of why it was made an associated function of the Board. Mr. Penn requested an organizational chart and a flow of funds.

6. OTHER BUSINESS

7. ADJOURNMENT

On a motion by Mr. Schock, seconded by Mr. Brown, it was unanimously approved to adjourn the meeting at 11:55 AM.

Respectfully submitted,

William Penn

Chairman

***The full proceeding of this meeting is available on audiotape by request.**

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